



INTERIM REPORT Q3 2018 JANUARY – SEPTEMBER

Troax Group AB (publ)
Hillerstorp 8th of November, 2018



**MAKING YOUR
WORLD SAFE**

INTERIM REPORT JANUARY - SEPTEMBER 2018

JULY - SEPTEMBER

- Order intake increased by 14 per cent to 40,1 (35,3) MEUR. Adjusted for currency the increase was 15 per cent.
- Sales increased by 13 per cent to 39,7 (35,2) MEUR. Adjusted for currency and the IFRS 15 adjustment the increase was 14 per cent.
- Operating profit increased to 8,6 (7,5) MEUR.
- Operating margin increased to 21,7 (21,3) per cent.
- Financial net was -0,3 (-0,3) MEUR.
- Profit after tax increased to 6,3 (5,3) MEUR.
- Earnings per share after dilution increased to 0,31 (0,27) EUR.

JANUARY - SEPTEMBER

- Order intake increased by 9 per cent to 123,3 (113,6) MEUR. Adjusted for currency the increase was 11 per cent.
- Sales increased by 6 per cent to 117,5 (111,1) MEUR. Adjusted for currency and the IFRS 15 adjustment the increase was 8 per cent.
- Operating profit increased to 22,7 (22,3) MEUR.
- Operating margin increased to 19,3 (20,1) per cent.
- Financial net was -0,7 (-4,9) MEUR of which -2,3 MEUR is related to a one-time cost related to the redemption of the bond.
- Profit after tax increased to 16,5 (13,0) MEUR.
- Earnings per share after dilution increased to 0,82 (0,65) EUR.

TROAX GROUP FIGURES

MEUR	3 Months	3 Months	9 Months	9 Months	12 Months	12 Months	12 Months
	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017	Jan-Dec 2016	Okt-Sep 2017/18
Order intake	40,1	35,3	123,3	113,6	152,0	119,6	161,7
Sales	39,7	35,2	117,5	111,1	152,1	115,8	158,5
Gross profit	15,9	14,4	46,2	44,5	60,0	48,8	61,7
Gross margin, %	40,1	40,9	39,3	40,1	39,4	42,1	38,9
Operating profit	8,6	7,5	22,7	22,3	30,6	25,3	31,0
Operating margin, %	21,7	21,3	19,3	20,1	20,1	21,8	19,6
Profit after tax	6,3	5,3	16,5	13,0	17,0	16,3	20,5
EBITDA	9,2	8,3	24,7	24,7	33,7	28,0	33,7
EBITDA margin, %	23,2	23,6	21,0	22,2	22,2	24,2	21,3
Net debt / EBITDA					1,6	2,3	1,6
Earnings per share after dilution in €	0,31	0,27	0,82	0,65	0,85	0,82	1,02
Closing rate SEK/EUR	10,29	9,57	10,29	9,57	9,85	9,57	10,29
Earnings per share after dilution in SEK. 1.)	3,24	2,54	8,49	6,22	8,42	7,84	10,69

1) Earnings per share after dilution in SEK, is calculated based on result in Euro at Closing rate SEK/EUR.

CEO COMMENTS

The Group's development during the third quarter 2018 continued in the same way as the first six months of the year. The third quarter orders showed an organic growth of around 15 per cent excluding currency impact. During the third quarter we have again received several important orders from customers within automation, warehouse and property, and have also during this quarter, similar to the past quarter, experienced lower activity within the automotive sector. The integration of the US based company Folding Guard that was acquired in late 2016 is generally following their plans. The market conditions in the US have during the third quarter been good but somewhat turbulent mainly due to raw material price increases. We have implemented price increases to reflect the higher cost for purchased steel but there is a time lag before we see the full impact from the price increases. Consequently, this can still be noted in the numbers for the third quarter for our US operation. Steel prices have generally gone up but the impact is most apparent in the US where the domestic vendors have increased prices on tube and steel significantly which is a natural effect following the implementation of tariffs on imports.

Our assessment for this quarter is that the market has grown approximately as expected. The indication is that the order books of our customers are well filled and their investment in our solutions has continued on a high level. The development for the Group has been positive in most markets and our assessment is that we are continuing to take market share on many markets. The orderbook at the end of the quarter is on a satisfying level.

The integration work of the company Folding Guard is progressing. Most of the organisational changes that were planned have now been made. The focus to realize the growth synergies from the acquisition remains strong but is not expected to deliver positive effects until the later part of the year. We see continued good opportunities to take market share for both brands in the important market of North America. During the third quarter of 2018, test production has started of Troax products in our Chicago factory.

Sales increased in the quarter by 14 per cent compared with the same period last year (including currency the increase is 13 per cent). The progress has been positive especially in the continental Europe and New markets.

The result for the quarter is above prior year. The increase can be attributed mainly to increased sales and a high capacity utilization at our main factory in Hillerstorp. The operating result for the quarter was 8,6 (7,5) MEUR, which corresponds to a profit margin of 21,7 per cent to be compared with 21,3 per cent last year. The consolidation of Folding Guard still decreases the margin in percentage terms. We do however see clear possibilities to increase the margin also for Folding Guard long term. The Net result amounts to 6,3 MEUR for the quarter compared to 5,3 MEUR last year. The increase is mainly due to the higher EBIT.

Earnings per diluted share for the third quarter is 0,31 EUR to be compared with 0,27 EUR in the same quarter of 2017.

Working Capital is on an expected level. Accounts receivables have increased somewhat due to the increase in sales whereas inventory is on a low level. Cash flow from operations, 5,7 MEUR during the quarter, is on the same level as the same period last year. The key figure of our net debt in comparison with the 12-month rolling EBITDA is now 1,6 which clearly is below our target for the Group. The production capacity in our main factory in Hillerstorp will be increased at the end of the year through an investment of approximately 5 MEUR. Most of this investment has impacted the cash flow during the first nine months of 2018. The Company has also decided to invest approximately 6,5 MEUR in an increase of the warehouse area and an improved inventory handling system in the factory in Hillerstorp. This investment will mainly impact the cash flow in 2019.

Thomas Widstrand, President and CEO

THE GROUP SUMMARY

JULY - SEPTEMBER

Total Order intake developed positively during the quarter. Order intake amounted to 40,1 (35,3) MEUR, an increase by 14 per cent or 15 per cent adjusted for currency. All regions increased their order intake compared with the same period last year.

Net sales amounted to 39,7 (35,2) MEUR, an increase by 13 per cent, or 14 per cent adjusted for currency and an IFRS 15 adjustment. All regions except UK increased their net sales compared to the same period last year.

In the geographical compilation of the order intake and sales of the Group, North America is from Q1 2018 reported as a separate market region since this region is an important part of the Group's operation.

Operating result amounted to 8,6 (7,5) MEUR, corresponding to an operating margin of 21,7 (21,3) per cent.

JANUARY - SEPTEMBER

Total order intake developed positively during the period. Order intake amounted to 123,3 (113,6) MEUR, an increase by 9 per cent or 11 per cent adjusted for currency. All regions increased their order intake compared with the same period last year.

Net sales amounted to 117,5 (111,1) MEUR, an increase by 6 per cent, or 8 per cent adjusted for currency and an IFRS 15 adjustment. All regions except New markets increased their net sales compared to the same period last year.

In the geographical compilation of the order intake and sales of the Group, North America is from Q1 2018 reported as a separate market region, as it is an important part of the Group's operation.

Operating result amounted to 22,7 (22,3) MEUR, corresponding to an operating margin of 19,3 (20,1) per cent.

FINANCIAL NET

Financial net was -0,3 (-0,3) MEUR in the quarter.

TAXES

Taxes increased to -2,0 (-1,9) MEUR in the quarter.

NET RESULT

Net result for the quarter amounted to 6,3 (5,3) MEUR. The increase is mainly related to increased sales.

CASH FLOW, WORKING CAPITAL AND NET DEBT

Cash flow from operating activities was 8,9 (6,1) MEUR. Net debt was 52,4 (60,7) MEUR at the end of the period. Net debt in relation to the 12-month rolling EBITDA was 1,6 (1,7) to be compared with the company's financial targets of less than 2,5.

INVESTMENTS

In the quarter the investments were 3,2 (0,7) MEUR and for the first nine months of the year the Group has invested 8,6 (0,9) MEUR. This year's investments are primarily related to investments in machinery.

REGIONAL DEVELOPMENT

Troax operations are reported as one segment. As secondary information Order intake and Sales are reported based on geographical regions.

Nordic – Sweden, Denmark, Norway and Finland

Continental Europe – Europe excluding Nordic and United Kingdom

United Kingdom – Great Britain and Ireland

North America – US and Canada

New Markets – rest of the world including all distributors directly connected to Sweden

Order intake MEUR	3 Months			9 Months			12 Months			12 Months Okt-Sep 2017/2018
	Jul-Sep 2018	Jul-Sep 2017	Diff	Jan-Sep 2018	Jan-Sep 2017	Diff	Jan-Dec 2017	Jan-Dec 2016	Diff	
Continental Europe	21,3	17,7	20%	65,7	57,6	14%	77,5	65,5	18%	85,6
Nordic region	5,9	5,5	7%	19,9	18,8	6%	26,0	22,8	14%	27,1
United Kingdom	4,3	4,1	5%	14,0	12,4	13%	17,0	18,0	-6%	18,6
North America	6,4	6,1	5%	19,7	18,6	6%	25,0	5,7	339%	26,1
New Markets	2,7	1,9	42%	6,9	6,2	11%	8,3	7,6	9%	9,0
Total excl Currency and Acq.	40,6	35,3	15%	126,2	113,6	11%	153,8	119,6	29%	166,4
Currency effect	-0,5	0,0	-1%	-2,9	0,0	-3%	-1,8	0,0	-2%	-4,7
Order intake acquisitions	0,0	0,0	0%	0,0	0,0		0,0	0,0	0%	0,0
Total Order intake	40,1	35,3	14%	123,3	113,6	9%	152,0	119,6	27%	161,7

Total Sales MEUR	3 Months			9 Months			12 Months			12 Months Okt-Sep 2017/2018
	Jul-Sep 2018	Jul-Sep 2017	Diff	Jan-Sep 2018	Jan-Jun 2017	Diff	Jan-Dec 2017	Jan-Dec 2016	Diff	
Continental Europe	20,8	17,5	19%	62,5	56,1	11%	77,1	63,3	19%	83,5
Nordic region	6,0	5,7	5%	18,8	18,0	4%	25,9	22,4	16%	26,7
United Kingdom	4,2	4,2	0%	13,1	12,4	6%	17,1	17,6	-3%	17,8
North America	6,4	5,6	14%	18,9	18,2	4%	25,0	5,2	381%	25,7
New Markets	2,6	2,2	18%	6,8	6,4	6%	8,8	7,3	21%	9,2
Total excl Currency and Acq.	40,0	35,2	14%	120,1	111,1	8%	153,9	115,8	33%	162,9
Currency effect	-0,5	0,0	-1%	-2,8	0,0	-3%	-1,8	0,0	-2%	-4,6
Sales acquisitions / IFRS 15 adjustment	0,2	0,0	1%	0,2	0,0		0,0	0,0	0%	0,2
Total Sales	39,7	35,2	13%	117,5	111,1	6%	152,1	115,8	31%	158,5

* Note that we report organic growth excluding currency effect.

** All figures from 2017 and 2018 includes Folding Guard.

ABOUT TROAX

Troax is the leading global supplier of indoor perimeter protection ("metal-based mesh panel solutions") for the market segments: Machine guarding, Warehouse partitioning and Property Protection. Troax develops high quality and innovative safety solutions to protect people, property and processes.

Troax Group AB (publ), Reg. No. 556916-4030, has a global organisation with an unparalleled sales force and efficient logistics setup, enabling local presence and short delivery times in 36 countries. In 2017 Troax net sales amounted to around 152 MEUR and the number of employees amounted to about 670 persons.

The Company's head office is located in Hillerstorp, Sweden. www.troax.com

THE GROUP – SUMMARY

INCOME STATEMENT

MEUR	3 Months	3 Months	9 Months	9 Months	12 Months	12 Months	12 Months
	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017	Jan-Dec 2016	Okt-Sep 2017/18
Sales	39,7	35,2	117,5	111,1	152,1	115,8	158,5
Cost of goods sold	-23,8	-20,8	-71,3	-66,6	-92,1	-67,1	-96,8
Gross profit	15,9	14,4	46,2	44,5	60,0	48,7	61,7
Sales expenses	-5,2	-4,6	-16,2	-15,6	-20,3	-18,0	-20,9
Administrative expenses	-2,0	-2,1	-6,6	-6,4	-8,4	-6,5	-8,6
Other operating income and expenses	-0,1	-0,2	-0,7	-0,2	-0,7	1,0	-1,2
Operating profit	8,6	7,5	22,7	22,3	30,6	25,2	31,0
Financial income and expenses	-0,3	-0,3	-0,7	-4,9	-5,2	-3,9	-1,0
Result after financial expenses	8,3	7,2	22,0	17,4	25,4	21,3	30,0
Taxes	-2,0	-1,9	-5,5	-4,4	-8,4	-5,0	-9,5
Net result for the period	6,3	5,3	16,5	13,0	17,0	16,3	20,5
Earnings per share before dilution	0,32 €	0,27 €	0,83 €	0,65 €	0,85 €	0,81 €	1,03 €
Number of shares after dilution in thousands	20 000	20 000	20 000	20 000	20 000	20 000	20 000
Earnings per share after dilution	0,31 €	0,27 €	0,82 €	0,65 €	0,85 €	0,81 €	1,02 €
Number of shares after dilution in thousands	20 012	20 000	20 004	20 000	20 000	20 000	20 003
STATEMENT OF COMPREHENSIVE INCOME							
	3 Months	3 Months	9 Months	9 Months	12 Months	12 Months	12 Months
	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017	Jan-Dec 2016	Okt-Sep 2017/18
Net result for the period	6,3	5,3	16,5	13,0	17,0	16,3	20,5
Other comprehensive income:							
Items that may be reclassified to the income statement							
Translation differences	1,0	-1,7	-2,5	-3,0	-5,8	-3,8	-5,3
Tax related to items that may be reclassified	0,0	0,7	0,0	0,7	0,0	0,0	-0,7
	1,0	-1,0	-2,5	-2,3	-5,8	-3,8	-6,0
Items that will not be reclassified to the income statement							
Actuarial gains and losses on defined-benefit pension commitments	0,0	0,0	0,0	0,0	-0,2	-0,1	-0,2
Tax related to items that may be reclassified	0,0	0,0	0,0	0,0	0,1	0,0	0,1
	0,0	0,0	0,0	0,0	-0,1	-0,1	-0,1
Other comprehensive income, net of tax	1,0	-1,0	-2,5	-2,3	-5,9	-3,9	-6,1
Total comprehensive income for the period	7,3	4,3	14,0	10,7	11,1	12,4	14,4
EBITDA							
	3 Months	3 Months	9 Months	9 Months	12 Months	12 Months	12 Months
	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017	Jan-Dec 2016	Okt-Sep 2017/18
Operating result	8,6	7,5	22,7	22,3	30,6	25,2	31,0
Depreciations	0,6	0,8	2,0	2,4	3,1	2,8	2,7
EBITDA	9,2	8,3	24,7	24,7	33,7	28,0	33,7

STATEMENT OF FINANCIAL POSITION

MEUR	2018 30-sep	2017 30-sep	2017 31-dec	2016 31-dec
Assets				
Intangible assets	87,6	92,0	90,0	94,6
Tangible assets	24,3	19,8	20,1	19,7
Financial fixed assets	4,6	7,8	4,7	7,2
Total fixed assets	116,5	119,6	114,8	121,5
Inventories	11,2	11,5	10,7	10,6
Current receivables	36,9	32,4	32,6	28,2
Cash and cash equivalents	16,6	8,3	14,1	12,2
Total current assets	64,7	52,2	57,4	51,0
TOTAL ASSETS	181,2	171,8	172,2	172,5
Equity and liabilities				
Equity	75,0	68,8	69,1	65,9
Long-term liabilities	77,6	76,6	77,1	83,4
Current liabilities	28,6	26,4	26,0	23,2
TOTAL EQUITY AND LIABILITIES	181,2	171,8	172,2	172,5
Net debt = Loan less cash and equivalents	52,4	60,7	54,9	63,9

STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO THE PARENT COMPANY'S SHAREHOLDERS

Opening balance	69,1	65,9	65,9	60,0
Dividends	-8,1	-7,8	-7,8	-6,5
Total comprehensive income for the period	14,0	10,7	11,0	12,4
Closing balance	75,0	68,8	69,1	65,9

CASH FLOW

MEUR	3 Months 2018 30-sep	3 Months 2017 30-sep	9 Months 2018 30-sep	9 Months 2017 30-sep	12 Months 2017 31-dec	12 Months 2016 31-dec
Operating profit	8,6	7,5	22,7	22,3	30,6	25,2
Interest received and paid, tax paid and adjustments	-0,1	-1,8	-2,4	-7,6	-8,4	-6,5
Changes in working capital	0,4	0,4	-1,5	-3,2	-3,0	-2,5
Cash flow from operating activities	8,9	6,1	18,8	11,5	19,2	16,2
Net investments	-3,2	-0,7	-8,6	-0,9	-3,3	-27,4
Cash flow after investing activities	5,7	5,4	10,2	10,6	15,9	-11,2
Financing activities	0,0	0,0	-8,1	-14,9	-14,9	12,9
Cash flow for the period	5,7	5,4	2,1	-4,3	1,0	1,7
Cash and cash equivalents at the start of the period	10,9	2,5	14,1	12,2	12,2	10,8
Translation difference in cash and cash equivalents	0,0	0,4	0,4	0,4	0,9	-0,3
Cash and cash equivalents at the end of the period	16,6	8,3	16,6	8,3	14,1	12,2

PARENT COMPANY - SUMMARY

	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017	Jan-Dec 2016
MEUR						
Sales	0,3	0,3	0,9	0,9	1,3	1,3
Cost of goods sold	0,0	0,0	0,0	0,0	0,0	0,0
Gross profit	0,3	0,3	0,9	0,9	1,3	1,3
Administrative expenses	-0,4	-0,6	-1,3	-1,5	-1,8	-1,5
Other operating income and expenses	0,0	0,2	-0,1	0,2	-0,1	0,5
Operating profit	-0,1	-0,1	-0,5	-0,4	-0,6	0,3
Financial income and expenses	9,6	-0,3	10,1	-4,8	-7,6	-3,7
Result after financial expenses	9,5	-0,4	9,6	-5,2	-8,2	-3,4
Year-end appropriations	0,0	0,0	0,0	0,0	9,8	7,6
Profit before tax	9,5	-0,4	9,6	-5,2	1,6	4,2
Taxes	0,1	0,1	0,0	1,1	-0,4	-0,9
Net result for the period	9,6	-0,3	9,6	-4,1	1,2	3,3

STATEMENT OF COMPREHENSIVE INCOME

Net result for the period	9,6	-0,3	9,6	-4,1	1,2	3,3
Other comprehensive income, net of tax	0,0	0,0	0,0	0,0	0,0	0,0
Total comprehensive income for the period	9,6	-0,3	9,6	-4,1	1,2	3,3

STATEMENT OF FINANCIAL POSITION

	30-sep 2018	30-sep 2017	31-dec 2017	31-dec 2016
MEUR				
Assets				
Shares in subsidiaries	87,7	87,7	87,7	87,7
Receivables to subsidiaries	22,5	22,1	31,8	29,4
Total fixed assets	110,2	109,8	119,5	117,1
Current receivables	0,7	2,2	0,3	0,1
Cash and cash equivalents	0,0	0,0	0,0	0,1
Total current assets	0,7	2,2	0,3	0,2
TOTAL ASSETS	110,9	112,0	119,8	117,3
Equity and liabilities				
Equity	32,5	23,3	30,8	37,4
Untaxed reserve	1,9	1,3	1,9	1,3
Long-term liabilities	73,8	85,0	69,0	76,9
Current liabilities	2,7	2,4	18,1	1,7
TOTAL EQUITY AND LIABILITIES	110,9	112,0	119,8	117,3

CASH FLOW

	3 Months 2018	3 Months 2017	9 Months 2018	9 Months 2017	12 Months 2017	12 Months 2016
MEUR						
	30-sep	30-sep	30-sep	30-sep	31-dec	31-dec
Operating profit before financial items	-0,1	-0,1	-0,5	-0,4	-0,6	0,3
Interest paid and received, taxes, adjustments	9,6	-0,2	7,2	-4,8	-4,8	-3,8
Change in working capital	0,1	-0,1	1,4	4,8	-4,4	-17,4
Cash flow from continuing operations	9,6	-0,4	8,1	-0,4	-9,8	-20,9
Investments	0	0,0	0,0	0,0	0,0	0,0
Cash flow from investment activities	9,6	-0,4	8,1	-0,4	-9,8	-20,9
Cash flow from financing activities	-9,6	0,3	-8,1	0,3	9,8	20,8
Cash flow for the period	0,0	-0,1	0,0	-0,1	0,0	-0,1
Cash and cash equivalents at the beginning of the period	0	0,1	0,0	0,1	0,0	0,0
Translation difference	0	0,0	0,0	0,0	0,0	0,0
Cash and cash equivalents at the end of the period	0,0	0,0	0,0	0,0	0,0	-0,1

FINANCIAL TARGETS

Troax Group's financial targets connected to the company's strategic initiatives are presented below. All expressed opinions in this part are future orientated.

Growth	Troax's objective is to grow in its current markets, both organically and by selective acquisitions
Profitability	Troax's target is to have an operating margin in excess of 20 per cent.
Financial Structure	Net debt in relation to the 12-month rolling EBITDA, excluding temporary deviations, shall not exceed 2.5 times.
Dividend	Troax's target is to pay approximately 50 per cent of its net profit in dividends. The dividend proposal shall consider Troax's long-term development potential, its financial position and its investment needs.

The financial targets represent future oriented information. Future oriented information shall not be considered as guarantees for future result or development. The actual result may and can materially vary from what is expressed in the future oriented information.

OTHER INFORMATION

ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting, the Annual Accounts Act and the Swedish Financial Reporting Board recommendation RFR 2, Accounting for Legal Entities. The Accounting principles that have been applied coincide with those accounting principles used for preparing the latest Annual Report. The Annual report for 2017 is available on www.troax.com, with the following additions.

IFRS 9, Financial instruments. The Group applies since the 1st of January 2018 IFRS 9 Financial instruments. The Group applies the simplified approach for bad debt reservations regarding accounts receivables, i.e the reserve will correspond to the expected loss over the entire life of the receivable. The implementation of IFRS 9 has not had any material impact to the financial statement of the Group due to the historical low cost for bad debt and the forward-looking assessment that the credit risk remains low.

IFRS 15, Income from agreements with customers. The Group's applies since the 1st of January 2018 IFRS 15 income from agreement with customers where the accounting principles were presented in the annual report for 2017. The implementation of IFRS 15 has led to a change in the Group's accounting policy which is applied with forward-looking retroactive effect. The changed accounting policy has affected the opening equity 2018-01-01 positively by 0,7 MEUR, corresponding to 0,9%.

Preparations for new accounting standards

IFRS 16, Leasing, the company is currently collecting data to fulfil the requirements of the new accounting standard. The standard requires that assets and liabilities attributable to all leases, with some exceptions, are reported in the balance sheet. The depreciation and amortization of the asset and interest expense on the lease liability is reported in the income statement. The Group has begun but has not yet completed the analysis to evaluate the effect on the Group's financial reporting and the company will report more closely on the effects associated with the publication of the year-end report.

OTHER INFORMATION (CONT.)

ALTERNATIVE KEY RATIOS

In this interim report, Troax presents certain financial measures that are not defined by IFRS, so-called alternative key ratios. The Group believes that these measures provide valuable supplementary information to investors as they enable an evaluation of the company's results and position. Since not all companies calculate financial measurements in the same way, these are not always comparable to those used by other companies. Investors should consider these financial measures as a complement rather than an IFRS financial statement.

RISK AND RISK ASSESSMENT

Exposure to risk is a natural part of business activity which is reflected in the Troax approach to risk assessment. The aim is to identify and prevent and reduce the risks and limit the damages these risks might cause. The most essential risk for the Group is related to how the general business cycle effects demand. For further information, see the Annual report 2017 note 24.

SEASONAL VARIATIONS

Seasonal variations have some impact on Troax business. Sales are normally in general stable between the quarters, but can fluctuate between the months in the quarter. Sales can be somewhat lower in the summer months (July-August) and from December to January. In periods of high production, the company normally ties up more money in Working Capital. Cash is then released from working capital after a high season when manufactured goods are installed and the customer's receivables paid.

TRANSACTIONS WITH RELATED PARTIES

No special transaction to report.

CALL OPTION PROGRAM FOR SENIOR EXECUTIVES

At the Annual General Meeting in 2018, a share-based incentive program was decided based on call options for the CEO, senior executives and certain other key employees within the Group. The program comprises 105,000 options, of which 37,000 were subscribed for at a subscription price of SEK 29. The vesting date for the warrants is from 20 May 2022 to 30 June 2022.

EMPLOYEES

At the end of the period the Group had 692 (665) employees.

OTHER EVENTS DURING THE QUARTER

There is no other significant information to report for the quarter.

OTHER EVENTS AFTER THE QUARTER

There is no significant information to report after the quarter.

AUDIT

This report has been reviewed by the auditors.

NEXT REPORT

Interim report Q4, 13th of February 2019.

OTHER INFORMATION (CONT.)

SHAREHOLDERS MEETING

The Annual General Meeting will be held at Troax in Hillerstorp on the 14th of May 2019, at 15:00hrs. Shareholders who wish to add topics to be handled during the Shareholders Meeting can send their suggestions to the Chairman, Troax Group AB, attention "Topic for the Shareholders Meeting", Box 89, 335 04 Hillerstorp, Sweden. The topics must arrive at least seven weeks prior to the meeting, and by the 26th of March 2018 at the latest.

ELECTION COMMITTEE

At the AGM on the 2nd May 2018 it was decided that the Election Committee for the 2019 AGM should consist of the following:

- Anders Mörck (chairman) – Investmentaktiebolaget Latour
- Jan Särllvik – Nordea Fonder
- Ulf Hedlund – Svolder AB
- Jan Svensson – Chairman of the Board

If a shareholder who is represented on the nomination committee ceases to be one of the Company's three largest shareholders during the year, the member appointed to represent such shareholder shall resign from the nomination committee. Instead, a new shareholder among the three largest shareholders shall be entitled to independently and in its sole discretion appoint a member of the nomination committee. However, no marginal changes in shareholding and no changes in shareholding which occur later than three months prior to the annual general meeting shall lead to a change in the composition of the nomination committee.

The Election Committee will prepare proposals to the AGM 2019 for:

- Chairman for the AGM;
- Candidates for the post of chairman and other directors of the board;
- Fees and other remuneration to each director;
- Fees to members of committees within the Board;
- Election and remuneration of the Company auditor;
- Candidates for the members of the nomination committee; and
- Principles for the nomination committee.

Shareholders who wish to leave suggestions for the Election Committee can send them to Troax Group AB (publ), Attention: Election Committee Anders Mörck, Box 89, 335 04 Hillerstorp, Sweden.

PHONE CONFERENCE

Invitation to presentation of the third quarter result:

Thomas Widstrand, CEO presents the result on a phone conference on the 8th of November 2018 at 16:00 CET. The conference will be held in English. For more information, please refer to <https://www.troax.com/en/news>.



Hillerstorp 2018-11-08

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